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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/820,876	04/09/2004	Daniel Breen	SSB0005	9271
27510	7590	10/11/2005	EXAMINER	
KILPATRICK STOCKTON LLP 607 14TH STREET, N.W. WASHINGTON, DC 20005			SUBRAMANIAN, NARAYANSWAMY	
			ART UNIT	PAPER NUMBER
			3624	

DATE MAILED: 10/11/2005

Please find below and/or attached an Office communication concerning this application or proceeding.

**Office Action Summary**

Application No.

10/820,876

Applicant(s)

BREEN ET AL.

Examiner

Narayanswamy Subramanian

Art Unit

3624

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

**Period for Reply**

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

**Status**

- 1) ☒ Responsive to communication(s) filed on 01 February 2005.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

**Disposition of Claims**

- 4) ☒ Claim(s) 1-24 is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 1-24 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

**Application Papers**

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☒ The drawing(s) filed on 09 April 2004 is/are: a) ☒ accepted or b) ☐ objected to by the Examiner.
- Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
- Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

**Priority under 35 U.S.C. § 119**

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some \* c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
2. ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

**Attachment(s)**

- 1) ☒ Notice of References Cited (PTO-892)
- 2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- 3) ☒ Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)  
Paper No(s)/Mail Date 2/1/2005.
- 4) ☐ Interview Summary (PTO-413)  
Paper No(s)/Mail Date. \_\_\_\_\_.
- 5) ☐ Notice of Informal Patent Application (PTO-152)
- 6) ☐ Other: \_\_\_\_\_.

### DETAILED ACTION

1. Original claims 1-24 are pending in the application and have been examined. The rejections are stated below.

#### Claim Rejections - 35 USC § 101

2. 35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

3. Claims 1-24 are rejected under 35 U.S.C. 5 101 because the claimed invention is directed to non-statutory Subject matter.

35 USC 101 requires that in order to be patentable the invention must be a "new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof" (emphasis added).

Claims 1-11 recite "A financial instrument". It is not clear if the claimed invention is a "new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof". A financial instrument is essentially a contract and as such does not fall into one of the above-mentioned categories.

Further, claims 1-11 are directed to disembodied data structure which are per se are not statutory (*In re Warmerdam*, No. 93-1294 (Fed. Cir. August 11, 1994)). Note that functional descriptive material consists of data structure and computer programs, which impart functionality when employed as a computer component. Nonfunctional descriptive material includes but is not limited to music, literary works and a compilation or mere arrangement of data. In the present case, the claimed data structure is mere arrangement of data pertaining to a financial instrument without any associated functionality.

Claims 12-24 are rejected under 35 U.S.C. 5 101 because the claimed invention is directed to a non-statutory subject matter. Specifically the method claim as presented does not claim a technological basis in the preamble and the body of the claim. Without a claimed basis, the claim may be interpreted in an alternative as involving no more than a manipulation of an abstract idea and therefore non-statutory under 35 U.S.C. 101. In contrast, a method claim that includes in the body of the claim structural / functional interrelationship which can only be computer implemented is considered to have a technological basis [See Ex parte Bowman, 61 USPQ2d 1669, 1671 (Bd. Pat. App. & Inter. 2001) - used only for content and reasoning since it is not precedential].

***Claim Rejections - 35 USC § 112***

4. The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter, which the applicant regards as his invention.

5. Claims 1-11 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. It is not clear if by the term “A financial instrument”, the Applicants mean “a method”, “an apparatus” or “a process”. Clarification is required.

Claims 12-24 are rejected under 35 U.S.C. 112, second paragraph, as being incomplete for omitting essential structural cooperative relationships of elements, such omission amounting to a gap between the necessary structural connections. See MPEP § 2172.01. The omitted structural cooperative relationships are: In claim 12 it is not clear as to how the three steps of the claim are related to each other. Each of the three steps of the claim can be performed

independently and separately from each other. Claims 13-24 are rejected by dependency.

Appropriate clarification/correction is required.

Claims 1 and 12 cite the limitation “a second potential financial benefit substantially the same as the first potential financial benefit”. The term “substantially the same” renders the claim indefinite because the metes and bounds of this term are not clear. Claims 2-11 and 13-24 are rejected by dependency. Clarification is required.

### **Claim Rejections - 35 USC § 103**

6. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

7. Claims 1-24 are rejected under 35 U.S.C. 103(a) as being unpatentable over Field et al (US Pub. No. 2003/0167218 A1) in view of Seaman (US Pub. No. 2004/0098327 A1).

Claims 1 and 12, Field teaches the step of a financial instrument and a method for structuring a financial instrument comprising of several modular components (See Field Abstract, Figure 4 and Paragraph 10).

Field does not explicitly teach the steps of providing a convertible security having a first potential financial benefit, providing a first call option that when exercised provides a second potential financial benefit substantially the same as the first potential financial benefit; and providing a second call option that when exercised provides a third potential financial benefit different from the second potential financial benefit.

Seaman teaches the step of issuing a hybrid security comprising a bond portion and an option portion (See Seaman Abstract, Figure 1 Paragraphs 4-12, 21-32). The bond portion is interpreted to include a convertible bond and the option portion is interpreted to include one or more call options. Options that provide similar potential benefit or different potential benefit are old and well known in the art. For instance when a convertible security has a conversion price and conversion date the same as the exercise price of a call and the expiration date of the call, the potential benefit of the convertible and the call option are the same. If on the other hand if the conversion date differs from the expiration date and/or the conversion price is different from the exercise price the potential benefits are different.

Both Field and Seaman are concerned with providing a hybrid financial instrument to the user. It would have been obvious to one of ordinary skill in the art to include the teachings of Seaman to the disclosure of Field. The combination of disclosures suggests that issuers would have benefited from having the financial instruments structured to suit their individual needs and requirements.

Claims 2-11 and 13-24, the features in these claims are either disclosed in the combined disclosure of Field and Seaman or are old and well known in the art. Combining the features of derivative instruments with traditional instruments like convertible bonds/preferred stocks makes the offering more attractive to the investors compared to traditional straight offering and it also provides tax advantages to the issuer. Hence it would have been obvious to include these features to the combined disclosures of Seaman and Field.

### **Conclusion**

8. The prior art made of record and not relied upon is considered pertinent to applicant's disclosure.

(a) Farr Lucy et al "Contingent Convertibles" Practical US/International Tax Strategies, 13 February 2002, pp 1-2

(b) Birle, Jr. et al (US Pub. No. 2003/0135446 A1) (July 17, 2003) Contingent Convertible Financial Instruments.

(c) Birle, Jr. et al (US Pub. No. 2003/0130941 A1) (July 10, 2003) Contingent Convertible Financial Instruments with Contingent Payments.


9. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Dr. Narayanswamy Subramanian whose telephone number is (571) 272-6751. The examiner can normally be reached Monday-Thursday from 8:30 AM to 7:00 PM. If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Vincent Millin can be reached at (571) 272-6747. The fax number for Formal or Official faxes and Draft to the Patent Office is (571) 273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PMR or Public PAIR. Status information for unpublished applications is available through Private PMR only. For more information about the PMR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).

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Dr. N. Subramanian

October 2, 2005